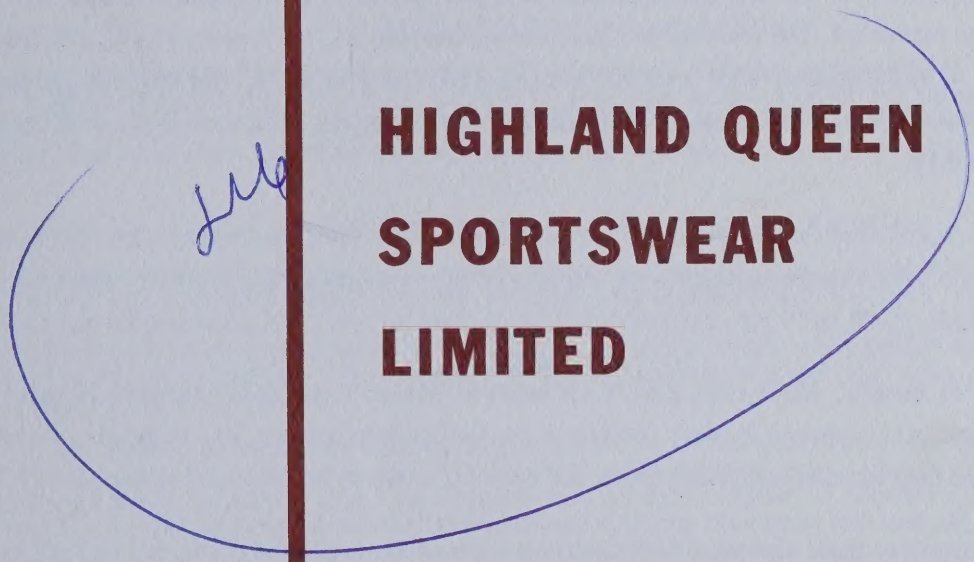


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**HIGHLAND QUEEN
SPORTSWEAR
LIMITED**



Annual Meeting of Shareholders

May 8, 1973

HIGHLAND QUEEN SPORTSWEAR LIMITED

PRESIDENT'S REPORT

I am pleased to report to you that the optimism expressed last year as to the company's future increase in sales and profits was warranted. The sales for the year ending October 31, 1972 were \$1,902,256, which represents an increase of approximately 65% over the sales of \$1,153,059 in 1971. The after-tax profits in 1972 were \$102,965 and the loss in 1971 was \$20,090. Earnings per share for 1972 were 31.2¢ and the loss per share for 1971 was 6.1¢.

It is gratifying to report that the sales for the period November 1, 1972 to February 28, 1973 were approximately \$700,000. This amount represents an increase of approximately 43% over the sales for the same period one year ago.

During the last four months, active steps have been taken to ensure a continued increase in earnings. Additional facilities have been acquired to meet additional production requirements and hopefully, we shall continue to maintain the high standard of quality which has been the company's trademark in the past.

Finally, may I thank all of those associated with the company for their constructive efforts and confidence which they have shown us.

ON BEHALF OF THE BOARD OF DIRECTORS

David Weiser

HIGHLAND QUEEN SPORTSWEAR LIMITED

INFORMATION CIRCULAR

as at April 9, 1973

MANAGEMENT SOLICITATION

This Information Circular is furnished in connection with the solicitation by the Management of HIGHLAND QUEEN SPORTSWEAR LIMITED of proxies to be voted at the Annual Meeting of Shareholders of the Corporation, to be held at the time and place and for the purposes set forth in the Notice of Meeting. The solicitation will be by mail and the cost will be borne by the Corporation.

APPOINTMENT AND REVOCATION OF PROXIES

The persons named in the enclosed Form of Proxy are Directors of the Corporation. A SHAREHOLDER DESIRING TO APPOINT SOME OTHER PERSON TO REPRESENT HIM AT THE MEETING MAY DO SO BY INSERTING IN THE BLANK SPACE PROVIDED IN THE SAID FORM THE NAME OF THE PERSON WHOM HE WISHES TO APPOINT AS HIS PROXY AND DELIVERING OR MAILING THE COMPLETED PROXY TO GUARANTY TRUST COMPANY OF CANADA AT 88 UNIVERSITY AVENUE, TORONTO 1.

A Shareholder executing the enclosed proxy has the power to revoke it at any time prior to its use by instrument in writing, executed by the Shareholder or his attorney duly authorized in writing, or, if the Shareholder is a Corporation, under its corporate seal or by an officer or attorney thereof, duly authorized and deposited either at the head office of the Corporation at any time up to and including the last business day preceding the day of the meeting or any adjournment thereof at which the proxy is to be used, or with the Chairman of such meeting on the day of the meeting or adjournment thereof.

EXERCISE OF DISCRETION BY PROXIES

IT IS INTENDED THAT THE ACCOMPANYING INSTRUMENT OF PROXY, IF SIGNED, DATED AND RETURNED TO THE CORPORATION PRIOR TO THE MEETING, WILL BE VOTED FOR THE ELECTION OF DIRECTORS AND THE APPOINTMENT OF AUDITORS IN ACCORDANCE WITH THE INSTRUCTIONS CONTAINED IN THE ENCLOSED INSTRUMENT OF PROXY, AND WILL BE VOTED WITH RESPECT TO AMENDMENTS OR VARIATIONS IDENTIFIED IN THE NOTICE OF MEETING OR OTHER MATTERS THAT MAY PROPERLY COME BEFORE THE MEETING ACCORDING TO THE BEST JUDGMENT OF THE PERSON VOTING THE PROXY AT THE MEETING.

The Management knows of no matters to come before the Annual Meeting of Shareholders other than the matters referred to in the Notice of Meeting. If any matters which are not known should properly come before the Meeting, the accompanying Proxy Instrument will be voted in such matters, in accordance with the best judgment of the person voting it.

VOTING SHARES AND PRINCIPAL HOLDERS THEREOF

The Corporation has an authorized capital of 500,000 shares without par value of which 330,000 are issued and outstanding as fully paid and non-assessable. Each share carries the right to one vote. Each registered shareholder of record at the time of the taking of the vote at the Annual Meeting will be entitled to vote at the meeting. To the knowledge of the Management, the only person or corporation beneficially owning more than 10 per cent of the issued and outstanding shares of the Corporation, are the following:

David Weiser	101,250	30.681% of the issued and outstanding shares
Dune Investments Limited	86,250	26.136% of the issued and outstanding shares

The shareholders of Dune Investments Limited are the wife and four children of David Weiser.

ELECTION OF DIRECTORS

The Board of Directors consists of five directors to be elected annually. The persons named in the enclosed Instrument of Proxy intend to vote, subject to any restrictions that may be imposed by the Instrument of Proxy, for the election of the nominees whose names are set forth below. It is not contemplated that any of the nominees will be unable to serve as a Director, but if that should occur for any reason prior to the Meeting, the persons named in the enclosed Form of Proxy reserve the right to vote for another nominee in their discretion. Each Director will hold office until the next Annual Meeting or until his successor is duly elected or appointed, if his office is earlier vacated in accordance with the By-laws of the Corporation.

The following table states the names of all persons proposed to be nominated for election as Directors, their position with the Corporation, their principal occupation or employment during the past five years, the date on which they became Directors of the Corporation, and the approximate number of shares of the Corporation beneficially owned, directly or indirectly, by each of them as of April 9, 1973.

<u>Name of Proposed Nominee</u>	<u>Offices presently held in Corporation</u>	<u>Director since</u>	<u>No. of Shares beneficially owned</u>	<u>Principal occupation</u>
David Weiser	Executive President and Director	February 28, 1957	101,250*	President of the Corporation
Joseph Weiser	Executive Vice- President and Director	February 17, 1969	4,750	Vice-President of the Corporation
Howard Weiser	Secretary-Treasurer and Director	April 27, 1970	4,750	Executive in charge of Styling and Production of Highland Queen Sportswear Limited, Toronto
Paul Henry, Q.C.	Director	February 1, 1968	Nil	Senior partner of Henry & Brown, Barristers and Solicitors, Toronto, Ontario
Leon Arthurs	Director	May 21, 1971	Nil	Patent Attorney, Toronto, Ontario

*See heading "Voting shares and Principal Holders thereof"

Mr. Joseph Weiser is the nominee of Dune Investments Limited to the Board of Directors.

REMUNERATION OF MANAGEMENT

The aggregate direct remuneration paid or payable by the Corporation to the Directors and Senior Officers of the Corporation in respect of the Corporation's fiscal year ended October 31, 1972 was \$163,730.00.

APPOINTMENT OF AUDITORS

The persons named in the enclosed Form of Proxy intend to vote for the reappointment of Wm. Eisenberg & Co., Toronto, the present Auditors, as Auditors of the Corporation to hold office until the next Annual Meeting of the Shareholders. The said Auditors were first appointed in 1957.

HIGHLAND QUEEN SPORTSWEAR LIMITED

(Incorporated under the laws of Ontario)

AND SUBSIDIARY COMPANY

CONSOLIDATED BALANCE SHEET AS AT OCTOBER 31, 1972

ASSETS

Current assets	1972	1971
Accounts receivable	\$489,396	\$336,033
Sundry receivables	5,264	10,420
10% Debenture — current portion	—	12,500
Income taxes recoverable	—	3,235
Inventories (note 2)	332,406	215,644
Prepaid expenses and sundry	9,226	8,885
	<u>\$836,292</u>	<u>\$586,717</u>
Fixed assets (note 3)	\$ 26,642	\$ 27,572
Other assets		
Excess of cost of subsidiary over book value of net assets acquired	\$101,356	\$101,356
Investments — 10% Debenture, due December 31, 1976	12,500	12,500
— sundry	2,860	2,860
	<u>\$116,716</u>	<u>\$116,716</u>
	<u>\$979,650</u>	<u>\$731,005</u>

LIABILITIES

Current liabilities		
Bank indebtedness — secured (note 4)	\$171,690	\$177,331
Accounts payable and accrued liabilities	267,281	172,014
Income and sales taxes	71,791	15,737
	<u>\$510,762</u>	<u>\$365,082</u>

SHAREHOLDERS' EQUITY

Capital stock		
Authorized — 500,000 shares, without par value		
Issued and outstanding — 330,000 shares	\$ 100	\$ 100
Retained earnings	468,788	365,823
	<u>\$468,888</u>	<u>\$365,923</u>
	<u>\$979,650</u>	<u>\$731,005</u>

Approved on behalf of the Board:

“D. WEISER”, Director

“J. WEISER”, Director

AUDITORS' REPORT

To the Shareholders of
Highland Queen Sportswear Limited

We have examined the consolidated balance sheet of Highland Queen Sportswear Limited and its subsidiary as at October 31, 1972 and the consolidated statements of earnings, retained earnings and source and use of funds for the year then ended. Our examination included a general review of the accounting procedures and such tests of accounting records and other supporting evidence as we considered necessary in the circumstances.

In our opinion these consolidated financial statements present fairly the financial position of the companies as at October 31, 1972 and the results of their operations and the source and use of their funds for the year then ended, in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

Toronto, Canada
January 26, 1973

WM. EISENBERG & CO.,
Chartered Accountants

HIGHLAND QUEEN SPORTSWEAR LIMITED

(Incorporated under the laws of Ontario)

AND SUBSIDIARY COMPANY

CONSOLIDATED STATEMENTS OF EARNINGS AND RETAINED EARNINGS FOR THE YEAR ENDED OCTOBER 31, 1972

Earnings	1972	1971
Revenue		
Sales	\$1,902,256	\$1,153,050
Royalty revenue	6,334	7,292
Interest income	1,777	2,230
	<u>\$1,910,367</u>	<u>\$1,162,572</u>
Cost of sales	1,367,356	887,446
Earnings before the undernoted expenses	\$ 543,011	\$ 275,126
Selling and administrative expenses	\$ 397,295	\$ 270,728
Depreciation (note 3)	8,940	7,940
Patent rights written off	—	4,813
Interest	12,769	11,931
	<u>\$ 419,004</u>	<u>\$ 295,412</u>
Earnings (loss) before income taxes and extraordinary income	\$ 124,007	\$ (20,286)
Income taxes (recoverable)	58,925	(196)
Net earnings (loss) before extraordinary income	65,082	(20,090)
Extraordinary income		
Fire insurance recovery (net of income taxes thereon of \$12,180)	\$ 12,916	—
Reduction in income taxes on application of losses of prior years	24,967	—
Net earnings (loss)	<u>\$ 102,965</u>	<u>\$ (20,090)</u>
Net earnings (loss) per share		
Before extraordinary income	19.7¢	(6.1¢)
After extraordinary income	31.2¢	(6.1¢)
Number of shares outstanding	<u>330,000</u>	<u>330,000</u>
Retained earnings		
Balance at beginning of year	\$ 365,823	\$ 385,913
Net earnings (loss)	102,965	(20,090)
Balance at end of year	<u>\$ 468,788</u>	<u>\$ 365,823</u>

HIGHLAND QUEEN SPORTSWEAR LIMITED

(Incorporated under the laws of Ontario)

AND SUBSIDIARY COMPANY

CONSOLIDATED STATEMENT OF SOURCE AND USE OF FUNDS FOR THE YEAR ENDED OCTOBER 31, 1972

Source of funds	<u>1972</u>	<u>1971</u>
Operations		
Net earnings (loss)	\$102,965	\$ (20,090)
Add (deduct) charges not requiring use of funds:		
Depreciation	8,940	(7,940)
Patent rights written off	—	(4,813)
	<u>\$111,905</u>	<u>\$ (7,337)</u>
10% Debenture	—	12,500
	<u>\$111,905</u>	<u>\$ (5,163)</u>
Use of funds		
Fixed assets	\$ 8,010	\$ 6,682
Increase (decrease) in working capital	\$103,895	\$ (1,519)
Working capital at beginning of year	<u>221,635</u>	<u>223,154</u>
Working capital at end of year	<u>\$325,530</u>	<u>\$221,635</u>

HIGHLAND QUEEN SPORTSWEAR LIMITED

(Incorporated under the laws of Ontario)

AND SUBSIDIARY COMPANY

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

OCTOBER 31, 1972

1. Principles of consolidation

The consolidated financial statements include the accounts of the company and Rotex Limited, a wholly-owned subsidiary, incorporated under the laws of Ontario.

All inter-company loans and transactions have been eliminated on consolidation.

Foreign currencies have been translated into Canadian funds as follows:

Current assets and current liabilities — at the prevailing rate on October 31, 1972.

Revenue and expenses — at the average rates prevailing during the year.

2. Inventories

Inventories are valued at the lower of cost and net realizable value and are classified as follows:

	1972	1971
Raw materials	\$131,141	\$ 79,128
Work-in-progress	42,524	13,431
Finished goods	158,741	123,085
	<u>\$332,406</u>	<u>\$215,644</u>

3. Fixed assets

	Cost	Accumulated Depreciation	Net Book Value
Equipment and furniture	\$ 91,962	\$ 72,735	\$ 19,227
Leasehold improvements	27,120	19,705	7,415
Total October 31, 1972	<u>\$119,082</u>	<u>\$ 92,440</u>	<u>\$ 26,642</u>
Total October 31, 1971	<u>\$111,072</u>	<u>\$ 83,500</u>	<u>\$ 27,572</u>

The company depreciates its equipment and furniture on a diminishing balance method and leasehold improvements on a straight-line basis at the maximum rates allowed under the Income Tax Act (Canada).

4. Assets pledged

The book debts and inventories of the company and its subsidiary have been pledged as security for the bank indebtedness.

5. Lease commitment

The company occupies leased manufacturing premises under a lease expiring in 1976 at an annual rental of \$18,000.

6. Executive remuneration

The aggregate direct remuneration paid during the year to the five highest paid employees (which include the directors as officers or employees) totalled \$163,730 (1971 — \$87,729).

7. Reclassification of comparative figures

Certain reclassifications of the 1971 comparative figures were made to conform with the 1972 presentation.